

Message Text

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SUBJECT: REORGANIZATION IN STEEL SECTOR

REF: MEXICO A-177, 9/5/77

1. ON JANUARY 28, THE DIRECTORS OF THE THREE PARASTATE STEEL COMPANIES, ALTOS HORNOS DE MEXICO (AHMSA), SIDERURGICA LAZARO CARDENAS - LAS TRUCHAS (SICARTSA) AND FUNDIDORA MONTERREY ANNOUNCED THEIR RESIGNATIONS. APPOINTED TO REPLACE THEM WAS JORGE LEIPEN GARAY, UNDER SECRETARY FOR IRON AND STEEL AND NON-RENEWABLE RESOURCES IN THE SECRETARIAT OF NATIONAL PATRIMONY AND INDUSTRIAL DEVELOPMENT (SEPAFIN). AS PART OF AN INTERNAL REORGANIZATION WITHIN THE SEPAFIN, THE SUB-SECRETARIAT FOR NON-RENEWABLE RESOURCES WILL BE ABOLISHED AND REPLACED WITH A NEW SUBSECRETARIAT FOR MINES AND ENERGY, ENCOMPASSING THE MINING, PETROLEUM AND ELECTRIC POWER SECTORS. IT WILL BE HEADED BY FERNANDO HIRIART BALDERRAMA. LEIPEN GARAY WILL MOVE HIS IRON AND STEEL
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OPERATION TO ALTOS HORNOS HEADQUARTERS.

2. ACCORDING TO SEPAFIN SECRETARY, JOSE OTEYZA, THE NAMING OF LEIPEN GARAY AS DIRECTOR OF THE THREE GOVERNMENT CONTROLLED STEEL COMPANIES IS ANOTHER INTERMEDIATE STEP TOWARD THEIR EVENTUAL MERGER INTO A HOLDING COMPANY TO BE CALLED SIDERMEX. (SEE PAGE 10

OF REFERENCE). LEIPEN GARAY HAD EARLIER BEEN APPOINTED VICE-CHAIRMAN OF THE BOARDS OF DIRECTORS OF THE THREE STEEL COMPANIES. HIS MOVE TO THE DIRECTORSHIPS WILL GIVE HIM GREATER AUTHORITY IN COORDINATING PLANNING, PRODUCTION AND FINANCIAL OPERATIONS OF THE PARASTATE STEEL SECTOR.

3. ONE DAY PRIOR TO THE ANNOUNCEMENT OF THE REORGANIZATION, PRESIDENT LOPEZ PORTILLO MADE A TRIP TO LAZARO CARDENAS, WHERE HE MADE A NUMBER OF REMARKS CRITICAL OF THE LABOR AND HOUSING SITUATION IN THAT AREA. NO DIRECT CRITICISM WAS LEVELED AT THE OPERATION OF SICARTSA'S STEEL PLANT, HOWEVER. OTEYZA WAS CAREFUL TO POINT OUT THAT THE REORGANIZATION IN THE STEEL SECTOR WAS IN NO WAY PROMPTED BY THE PRESIDENT'S VISIT.

4. SEPAFIN ALSO RECENTLY ANNOUNCED THAT 35 BILLION PESOS (1.5 BILLION DOLLARS) WOULD BE INVESTED IN THE STEEL INDUSTRY OVER THE NEXT THREE YEARS TO BRING MEXICO'S INSTALLED CAPACITY FROM 9 TO 11.7 MILLION TONS. THE INVESTMENTS WILL BE AIMED PRINCIPALLY AT ELIMINATING CURRENT PRODUCTION BOTTLENECKS. ACCORDING TO COMPANY OFFICIALS, FUNDIDORA MONTERREY WOULD LIKE TO ADD A CONTINUOUS CASTING MACHINE AND TWO REHEAT FURNACES. ALTOS HORNOS ALSO PLANS TO INCREASE ITS CONTINUOUS CASTING CAPACITY, ENLARGE ITS BOF VESSEL SIZE AND MAKE OTHER ADDITIONS TO ITS STEEL SHOP. A GOOD PART OF BOTH UNCLASSIFIED

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FIRMS' SPENDING WILL BE FOR IMPROVEMENTS IN THE RAW MATERIALS AREA. SICARTSA HAS BEEN AUTHORIZED TO SPEND 350 MILLION PESOS (15.5 MILLION DOLLARS) TO OVERCOME PRODUCTION PROBLEMS AND INCREASE ITS STEEL SHOP CAPACITY. SICARTSA'S PHASE II REMAINS INDEFINITELY POSTPONED. LUCEY

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